

**STATEMENT BY DMHC DIRECTOR EHNES ON BLUE SHIELD
SETTLEMENT ON RESCISSIONS
July 17, 2008**

I'm here today to announce another victory that we have achieved on behalf of California consumers who have been victims of the past rescission policies of our major health plans.

Today, I am happy to announce that Blue Shield of California is now the fourth of five of the major California health plans to agree with the Administration's bottom line requirement, which is to restore coverage to its members who were unfairly rescinded.

With this most recent settlement, the DMHC has added to its winning streak for consumers who have been victimized by rescission. "We've again accomplished a result that consumers could not get otherwise -- guaranteed issue coverage, a process for full monetary losses and no back premiums owed."

As many of you know, the DMHC has led the way to change the state and national landscape on how insurers conduct their underwriting and rescission investigations. In the past, the old way of doing business, was at best secretive and unfair and, as the DMHC uncovered, often illegal.

Since we launched our investigations, we have built a groundswell of support for ending these onerous practices. First the media, then the public, courts, other officials and now the health plans themselves, all realize that that the old way of doing rescissions was devastating and wrong.

Nearly two months ago, three of the five plans, Kaiser, Health Net and PacifiCare, voluntarily agreed to offer coverage and settle all past out-of-pocket medical claims with its rescinded members, which totaled nearly 1,200 people between the plans. The DMHC acknowledges the willingness of these plans to put these matters behind them and to give consumers a fair process.

This settlement with Blue Shield is similar to those reached previously with the other three plans. Blue Shield will offer coverage to 450 consumers without any medical underwriting, paying all legitimate past medical expenses incurred during the time people were without insurance because of the rescission.

There is one important difference, however. Blue Shield is being assessed a fine of a total of \$5 million - \$3 million payable immediately, with \$2 million to be assessed in 18 months if certain corrective actions are not achieved.

This amount is 10 times than the highest fine assessed to the other plans because by not settling with the DMHC two months ago, Blue Shield caused unnecessary delay in restoring coverage to its former members. This delay held Blue Shield former members in limbo, perhaps delaying necessary care and allowing some to suggest that their only

option was to fight it out with the plan in court. The increased harm and anxiety sustained by California consumers and the failure to timely remedy the plan's rescission practices were of great concern to me personally and warranted my strong message.

Since we began our investigations into rescission, the DMHC has achieved what we set out to do on behalf of rescinded consumers:

- Get health coverage for as many people as we can who were unfairly rescinded in the middle of care.
- Impose significant penalties for wrong-doing.
- Make sure that the system is fair and consumers understand what is being asked of them on health history applications.
- Change the national landscape to stop the unfair practice of rescission.
- Avoid lengthy and uncertain court battles for individuals to get their medical expenses paid.
- Saved taxpayer dollars defending the state's legal obligation to protect consumers.

DMHC has achieved what seemed impossible just a few months ago – restore coverage to thousands of Californians.

Now, we have only one plan yet to come to terms with the DMHC but the door is still open and we look forward to achieving a 100 percent success rate to put this issue behind us once and for all.

Thank you.